



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

February 2, 2012

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum contains information regarding the State's cash flow issues and related legislation; the status of redevelopment legislation, and County-sponsored legislation relating to liability protection; updates on County-advocacy legislation; and a report on legislation of County interest regarding Laura's Law.

State Cash Flow

On January 31, 2012, State Controller John Chiang reported that the State will face a cash shortfall of \$3.3 billion by early March if temporary cash solutions are not adopted. As of December 31, 2011, State revenues are projected to be \$2.6 billion less than forecasted in the FY 2011-12 State Budget and expenditures are \$2.6 billion more than assumed. If left unaddressed, the State General Fund balance will fall below the \$2.5 billion minimum safety cushion on February 29, 2012 and will continue to decline to a projected deficit of \$730 million by March 8, 2012.

As a result of the State's cash condition, the Controller has asked the Legislature and the Administration to adopt temporary cash solutions to address the projected shortfall. Those solutions include a combination of external borrowing, borrowing from existing State accounts, and some payment delays. The Controller believes adoption of these solutions will allow the State to avoid issuing IOUs, tax refund delays or other drastic measures to address the State's cash needs.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

In response, **SB 95 (Committee on Budget and Fiscal Review)**, was amended on January 30, 2012 as an urgency measure to allow the State Controller to borrow monies from various State highway and transportation funds for cash flow loans to the State General Fund. The measure also authorizes the Director of the Department of Finance to designate up to 15 percent of the cash balances in these funds to be available for contingency financing for critical State highway and local road projects that would otherwise be financed by General Obligation Bonds.

The Assembly Budget Committee analysis estimates that the bill would provide approximately \$865.0 million to the State General Fund for cash flow purposes. The State Controller expressed his support of the bill as a means to help resolve the State's cash shortfall.

An analysis by this office and the Department of Public Works indicates that SB 95 would have no impact on the County General Fund.

SB 95 passed the Assembly Budget Committee by a vote of 18 to 6 on January 31, 2012. This measure now proceeds to the Assembly Floor.

Status of Redevelopment Legislation

SB 654 (Steinberg), which would change ABX1 26 (Chapter 5, Statutes of 2011), to expand the definition of qualified debt and modify the provisions relating to the distribution of Low Moderate Income Housing (LMIH) funds, was amended on January 31, 2012, to delete the urgency clause. SB 654 retains provisions which would:

- Expand the definition of an enforceable obligation to include two additional types of loan agreements between a Redevelopment Agency (RDA) and its host city or county: 1) a loan that was executed within two years of the date of the creation of a project area, if the loan is specific to that project area; and 2) a loan to fund the RDA's FY 2009-10 Supplemental Educational Revenue Augmentation Fund (SERAF) payment to schools;
- Expand the type of agreements, contracts, or arrangements between an RDA and the host city or county considered valid, to include: 1) written agreements that provided loans or startup funds for the RDA that were entered into within two years of the date of the creation of a project area, if the loan is specific to that project area; and 2) any obligation to fund the RDA's FY 2009-10 SERAF payment to schools;

- Allow a host city or county of a dissolving RDA to retain funds on deposit in its LMIH fund and require the city or county to expend those funds in compliance with the housing provisions of the Community Redevelopment Law;
- Allow the local housing authority or the California Department of Housing and Community Development to retain LMIH funds if the city or county chooses not to assume the housing functions previously performed by an RDA; and
- Require, rather than permit, an entity assuming the housing functions of an RDA to enforce affordability covenants on affordable housing properties.

On January 31, 2012, your Board adopted a motion to support SB 654 and instructed the County's Legislative advocates in Sacramento to take all appropriate actions to support the passage of SB 654. Therefore, the Sacramento advocates are actively supporting this measure.

SB 654, as amended, passed the Senate Floor by a vote of 34 to 1 on January 31, 2012. Before the Senate passed the measure, the Senate Republican Caucus offered amendments addressing other provisions of ABX1 26. The Senate Democratic Majority rejected the amendments and the bill failed to gain two-thirds support for passage. Senate President pro Tem Steinberg subsequently stripped the bill of the urgency clause which allowed for passage on a majority vote. If passed by the Assembly and signed by the Governor, SB 654 would become effective January, 1, 2013.

County-opposed SB 659 (Padilla), which as amended on January 13, 2012, would temporarily postpone the dissolution deadline for the elimination of RDAs from February 1, 2012 to April 15, 2012, was held in the Assembly Rules Committee; therefore, the bill will not be acted upon prior to the statutory RDA dissolution date of February 1, 2012.

Status of County-Sponsored Legislation

County-sponsored AB 1558 (Eng and Hernández), which as introduced on January 26, 2012, would extend the sunset date on liability protection for the Department of Public Works (DPW) in County unlined channels and adjacent spreading grounds during flood control and water conservation operations.

Existing law, enacted by County-sponsored AB 1903 (Chapter 633, Statutes of 2008), provides conditional liability immunity to DPW for injuries caused by the condition and use of unlined channels and spreading grounds during flood control

and water conservation activities. However, these liability protections are set to expire on January 1, 2013.

AB 1558 would extend the provisions that provide liability protection to DPW for County unlined channels and adjacent spreading grounds during flood control and water conservation operations indefinitely. The bill does not exonerate a public agency or public employee from liability for injury caused by a dangerous condition of public property if all of the following occur: 1) the public entity or the public employee had actual knowledge of the condition, and knew or should have known, of its dangerous character in sufficient time, prior to the injury, to have taken measures to protect against the condition; 2) the person injured was 16 years or younger; 3) the dangerous conditions created a substantial and unreasonable risk of death or serious bodily harm to children 16 years of age or younger; and 4) the person injured did not discover the condition or did not appreciate its dangerous character because of his or her immaturity.

The Department of Public Works indicates that the County relies on the underground water supply for local water sustainability. Flows from the State Water Project, Colorado River, local watersheds, water districts and sanitation districts are routed through the channels and captured at spreading grounds for local infiltration into the groundwater basins. Flood control and water conservation are integral to effective water resources management. Liabilities arising from the groundwater replenishment process threaten to restrict and jeopardize the sustainability of the local water supply. Therefore, continued liability protections in AB 1558 for flood control and water conservation operations are critical for the County.

This measure is currently in the Assembly awaiting assignment to a committee.

Status of County-Advocacy Legislation

County-support-in-concept AB 73 (Feuer), which as amended on April 14, 2011, would create a four-year pilot project in three counties, including Los Angeles County, to make dependency hearings presumptively open to the public unless an open proceeding is found not to be in the child's best interest, was pulled by the author from the Assembly Human Services Committee agenda on April 26, 2011, as previously reported. Under legislative rules, bills introduced in 2011 must move from the house of origin before January 31, 2012; therefore, this measure is not eligible for possible enactment in the current legislative session.

On January 31, 2012, Judge Michael Nash, Presiding Judge of the Los Angeles Juvenile Court, signed a blanket order to immediately open Juvenile Dependency Court hearings in the County to the public and media with certain exceptions. The blanket

order stipulates that, among other procedures: 1) members of the press shall be allowed access to Juvenile Dependency Court hearings unless there is a reasonable likelihood that such access will be harmful to the best interests of the child or children; 2) members of the public shall be admitted to the hearings at the request of or with the consent of a child about whom a petition has been filed; and 3) any party may object to access by members of the press or the public even after the court has made a finding of a legitimate interest in access.

Legislation of County Interest

AB 1569 (Allen), which as introduced on January 31, 2012, would extend the sunset date for Laura's Law from January 1, 2013 to January 1, 2019. On December 20, 2011, your Board adopted a motion to support the extension of Laura's Law with amendments to: 1) include State implementation funds for Assisted Outpatient Treatment (AOT); 2) allow more flexibility by county mental health departments in the provision of AOT services; and 3) streamline and facilitate the administrative and legal processes for admission, readmission, and ongoing treatment including the administration of medication. The Chief Executive Office is working with the Department of Mental Health on an analysis and a pursuit of a County position on AB 1569.

We will continue to keep you advised.

WTF:RA
MR:I/GEA:lm

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants